

CHAPTER 2

Financial aid



PREPARING TO PAY

The answers to many of your questions about financial aid will be addressed in this chapter. But don't forget — your best source of information will be the financial aid office of the school you plan to attend.

Even if the school of your dreams seems too expensive, it may not be out of reach. Research the availability of financial aid. You may qualify for financial help based on many different things, including academic achievement, athletic skill, musical ability or simply financial need. Contact the financial aid office at the school you want to attend to find out what's available.

The 2008–2009 estimated costs (tuition and fees, room and board) for most Alabama colleges are included in **Chapter 3**. For out-of-state schools, consult *The College Cost Book* or *The College Handbook*, published by the College Board, in your school library or counselor's office.

Check with the school to find out the latest costs and what kind of financial aid package it's offering you. You might find that it won't cost you any more to go to a high-priced school than a lower-priced school. But you won't know unless you ask. You can compare the costs of different schools by using the "Financial Aid Package Evaluation" in the back of the book.



THE MONEY MAZE

Types of Financial Aid

Grants: Awards based on need that don't have to be repaid.

Scholarships: Awards based on some kind of special achievement — academic, athletic or service. These are merit-based and don't have to be repaid.

Work-study: Part-time employment (either on or off campus) that lets a student earn money toward tuition.

Student loans: Money borrowed, either from a bank, the government or a school. A student loan must be repaid. However, low interest rates are available, and repayment doesn't start until you've either left school or graduated.

Conversion scholarships: Scholarships that require you to provide certain services for a period of time. If you don't, you have to pay back the money with interest.

Waivers: An arrangement offered by some schools to eliminate certain costs for students who meet certain qualifications (if your father was an Alabama policeman killed in the line of duty, for instance).

Military benefits: Financial aid offered to individuals (or their dependents) who were, are or will be in the U.S. Armed Forces.

Prepaid tuition: A contract guaranteeing fully-paid tuition for a fixed number of credit hours at a participating school. You have to pay a certain amount up front.

National service award: An award received for education expenses in return for national or community service.

Finding your way through the financial aid maze isn't as difficult as you might believe. We can answer some of the questions to head you in the right direction. A college education isn't cheap, but it's more affordable than you might think. Types of financial aid are listed in the box at left. More than likely, you'll qualify for more than one type. Let's look at some common questions about financial aid.

Who gives financial aid?

You and your parents are expected to pay as much as you can toward your college expenses. But you may also be able to get help from the state and federal governments, your college, and private businesses and organizations.

How is financial aid awarded?

It's awarded based on financial need (need-based aid) or on academic, athletic or other talent (merit-based aid). Most financial aid is need-based but is often awarded in combination with merit-based awards.

Who develops the financial aid process?

Generally, your school's financial aid office develops your financial aid package based on guidelines and law. The package usually includes grants, scholarships, work-study and loans and depends on what funds are available.

Where can I get financial aid information?

Free information comes from your guidance counselor and the financial aid officer of the school(s) you're interested in attending. You'll also find free info at www.alstudentaid.com, the website of KHEAA-Alabama.

How do I apply?

The standard application is the Free Application for Federal Student Aid (FAFSA). You have to file a FAFSA to be considered for an award from these state and federal student aid programs.

Visit www.fafsa.ed.gov to file online and get faster results. If you need help completing the FAFSA or need to know if other application forms are required, check with the financial aid office at the school you plan to attend. **Read the instructions on all forms carefully and follow them to the letter.**



In addition, many colleges use the information from the FAFSA in awarding grants and scholarships administered by the school. These grants and scholarships are called institutional aid.

When do I apply?

As soon as possible after January 1. The first thing you have to do is fill out your FAFSA using the previous year's tax data. The earlier you file, the better your chance of getting financial aid. Check with the financial aid offices of the schools you're interested in to find out their deadlines or visit www.fafsa.ed.gov for more information.

What is need analysis and how is it determined?

Need analysis is used to determine what type and how much aid you can receive by subtracting your expected family contribution (EFC) from the total cost of attendance.

What is the EFC and how is it figured?

The EFC is calculated by plugging the figures from your FAFSA into a formula set by Congress. The result is the amount you and your family are expected to pay toward your college costs. If you're an independent student, the EFC is figured on your own financial resources (and those of your spouse if you're married).

What if I don't qualify for financial aid this year?

Reapply each year. Things can change: programs, your family's financial conditions — lots of things.

What is "satisfactory academic progress"?

That means, according to your school's policy, you're on track to finish your degree when you're supposed to. If you're not, you may not be eligible to receive some types of financial aid, especially federal student aid. Check with the school to find out what the requirements are.

What does financial aid cover?

Financial aid must be used to pay the costs of education, which may include:

Direct Costs	Living Expenses
Tuition / Fees	Transportation / Housing / Food
Books / Supplies	Personal

AM I "DEPENDENT" OR "INDEPENDENT"?

Most students entering college straight from high school are considered dependent students. For the 2008–2009 academic year, you're a dependent student **unless** at least one of the following applies to you:

- You were born before January 1, 1985.
- You're married.
- You're enrolled in a master's or doctorate program during the 2008–2009 school year.
- You have dependents who will receive more than half their support from you through June 30, 2009.
- You're an orphan or ward of the court (or were a ward of the court until age 18).
- You're a veteran of the U.S. Armed Forces. "Veteran" includes a student who attended a U.S. military academy who was released under a condition other than dishonorable.

If any of the above apply to you, you're considered an independent student, which means you won't have to include your parents' financial information on the FAFSA. Your school may ask you to submit proof of your independent status before you can receive any federal student aid. If you think you have unusual circumstances that would make you independent even though none of the above criteria apply to you, talk with a financial aid officer at the school you plan to attend.



CFamily Considerations

What can I do if my parents claimed me as a tax exemption last tax year but gave me no money or support?

Although you don't meet the federal definition of an independent student, you should discuss your situation with the financial aid director of the school you plan to attend to find out if he or she can help you.

If I have a brother or sister attending college, will my EFC be less?

Probably. As a rule, if two family members (other than a parent) are in college at least half-time, the EFC is divided by two.

If my parents are divorced or separated, which one should provide the information for the FAFSA?

The parent with whom you lived the most during the past 12 months should complete the application. If you lived with each parent an equal length of time or lived with neither parent, the parent providing the most financial support for you during the last year should complete the form.

Does my legal guardian have to provide financial information on the FAFSA?

No, even if that guardian has been directed by a court to support the applicant.

How much can I get?

You can't get more need-based aid than the total cost of attendance minus your EFC. So, if the total cost of attendance is \$12,000 and your EFC is \$7,000, the most you can get in need-based aid is \$5,000. But that doesn't mean you *will* get \$5,000.

Log on to www.alstudentaid.com and use our interactive College Aid Calculator, developed by Think Ahead Inc. of Dresden, Maine, to get an estimate of how much financial aid you can receive. You don't need to use your Social Security number, and the information is deleted as soon as the EFC is calculated. Remember, this is only an estimate. Your actual EFC will be determined from the information on your FAFSA.

When will I know how much I will get?

If you apply for state and federal aid between January and April, you should find out in late spring or early summer.

What is the school's refund policy?

Every school that awards federal student aid must have a written refund policy and give you a copy of that policy if you request it. It's important to find out (before you apply for admission) if you can get a refund if you withdraw from school before you get your degree or certificate.

What is an enrollment contract?

Some schools use an enrollment contract to explain what you can expect them to give you for your money. Read the contract carefully before you sign it. A representative of the school may promise you things that aren't in the contract, such as help finding a job. If the representative makes you a promise, ask him or her to write the promise on the contract and sign and date it. A promise is usually not enforceable in court unless it's in writing.

The U.S. Department of Education operates a toll-free telephone service for students, parents and educators who have questions about federal student assistance programs.

Call (800) 433-3243 (800-4FED-AID). People who use a TTY or TDD device should call the Federal Information Relay Service at (800) 730-8913.

TAX TIME

Paying taxes is part of being a responsible adult. Fortunately, going to college can help you and your family during tax time.

Are scholarships taxable?

Some are, some aren't. The basic requirement for a scholarship to be tax free, known as a "qualified" scholarship, is that the recipient be a candidate for a degree.

A qualified scholarship is any amount used for tuition and required fees, books, supplies and equipment. Any amount received for incidental expenses is not a tax-free, qualified scholarship. Incidental expenses include expenses for room and board, travel, research and clerical help.

For more information, call the Internal Revenue Service (IRS) at (800) 829-1040 or visit www.irs.gov/pub/irs-pdf/p970.pdf to download the free Publication 970 *Tax Benefits for Education*. This and other publications are also available from the IRS by calling (800) 829-3676 or by visiting www.irs.gov/formspubs/index.html. If you're still not sure, consult your family's tax advisor.

What about tax credits and deductions?

There are many ways your parents can save money on their taxes when it comes to paying for college. The four most common are the Hope Credit, the Lifetime Learning Credit, the tuition and fees deduction and the student loan interest deduction.

The tuition and fees deduction and the student loan interest deduction are adjustments to income. This means they reduce the amount of your income subject to tax and you can claim them even if you don't itemize deductions.

HOPE CREDIT

If your parents paid qualified education expenses for themselves or a dependent, they may be able to claim a Hope Credit. This credit is available for the first two years of college.

LIFETIME LEARNING CREDIT

If your parents or a dependent is enrolled in a degree program or is taking college courses to acquire or improve job skills, they may be able to claim a Lifetime Learning Credit.

TUITION AND FEES DEDUCTION

The tuition and fees deduction can reduce the amount of income subject to tax. Parents may be able to deduct qualified education expenses paid during the year for themselves or a dependent. The expenses must be for college.

STUDENT LOAN INTEREST DEDUCTION

You can deduct up to \$2,500 per year on your federal taxes for interest paid on your student loan.

HELPFUL HINTS



Don't pay for this information!

It's free! Don't miss out on financial aid because you didn't know where to look. Following these tips will increase your chances of obtaining all the financial aid you can.

Talk with your guidance counselor, who's an excellent resource and can help get you started in the financial aid process.

Talk with financial aid officers at the schools you're interested in attending. No one knows better than these folks about the aid programs available through their school. See **Chapter 3** for names, addresses and other information.

Make good grades in high school. This gives you a much better chance of winning scholarships and qualifying for grants.

Write to organizations connected with your field of interest that may have financial aid available. These organizations are listed in directories available in public libraries.

Learn about student loans. You should first try to get financial aid you won't have to pay back. However, most students wind up having to take out loans to help pay for college. If you're going to need student loans, you need to make sure you get the least expensive ones you can. That means you need to learn some terms and make comparisons. For the low-down on student loans, go to the "Loan Lingo" and "Student Loan Tips" sections.

Check your high school or public library for books about student aid sources. Look in the reference section and consult **Affording Higher Education**, a KHEAA–Alabama reference book that lists thousands of financial aid programs for Alabama students.

Watch newspapers for scholarships offered through local community service organizations, businesses, clubs, unions, churches, fraternal groups, etc. Contact the group for more information.

Explore this website for up-to-date information about grants, scholarships, loans and other financial aid programs for Alabama students. You'll also find:

- **Applications** for student loans
- **eSign**, to electronically sign your loan application
- **Application status and account history**
- **College Aid Calculator**
- **Loan Repayment Calculator**

THE SCAM TRAP

STEP 1

Start with your guidance counselor, who can help you find many sources of student aid for which you may qualify.

STEP 2

Contact someone in the financial aid office at each school you're considering. This person can tell you about the financial aid programs offered by the school.

STEP 3

You should attend any free financial aid workshops sponsored by your high school, local colleges or the Alabama Association of Student Financial Aid Administrators. Don't confuse these free events with events sponsored by companies that offer services for a fee.

STEP 4

Before paying a fee for financial aid information, check out the company by contacting the Better Business Bureau; the Attorney General's Office, Consumer Affairs Section, 11 South Union Street, Montgomery, AL 36130-0152, (800) 392-5658, (334) 242-7334, www.ago.state.al.us/consumer_complaint.cfm; or the attorney general in the state where the company is located.

STEP 5

Check the Internet for scholarship sources. There are several **free** scholarship search sites available online.

If you're going to use the Internet, remember that websites are not regulated by any agency. It doesn't take much to start a fantastic-looking website, so don't judge the site simply by the way it looks. A scam artist can set up a website, take people's money for a few weeks, then shut down the site and disappear.



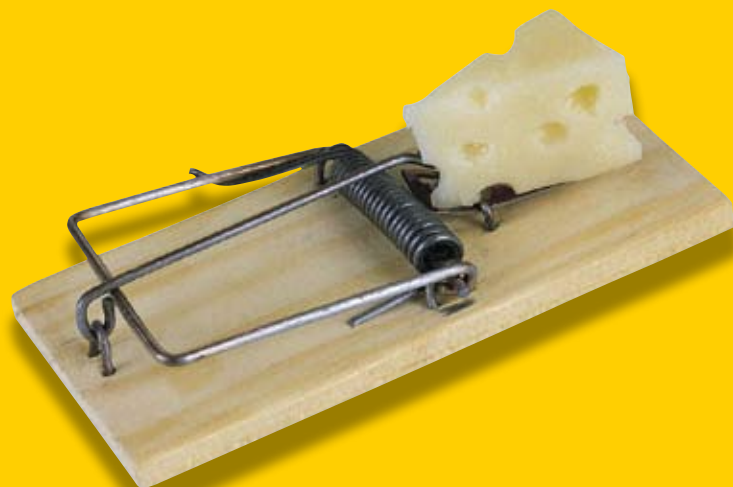
*Remember the old saying –
“If it sounds too good to
be true, it probably is.”*

Don't be taken in by scam artists. Let us guide you around the trap of scholarship scams.

There are a lot of financial aid programs out there, but make sure your sources are reliable — or you could find out the hard way that not everyone is honest!

Be wary of any company that offers to do the work for you (at a price, of course!). It sounds so easy: Just fill out a form, then sit and wait for all these scholarships to fall in your lap. Scholarship search companies may charge hundreds of dollars to give you a list of scholarships for which you can apply.

At left are some easy steps you can take to get the **same information** — for free!





For more information about scholarship frauds, check out these websites:

**Federal Trade Commission,
www.ftc.gov**

You can also file a complaint with the FTC by calling toll free (877) 382-4357 or submitting an online complaint form available on the FTC website.

**National Fraud Information Center,
www.fraud.org**

This site provides information on how to spot, stop, and report a scam. You can report one online or call the center toll free at (800) 876-7060.

**FinAid,
www.finaid.org/scholarships/scams.phtml**

This is another site that provides information on how to identify and report scams.

Remember, however, that the absence of complaints may not mean the company or foundation is legitimate—it may just be so new that no one has filed a complaint yet.



Don't gamble with your future.

The Federal Trade Commission cautions students to be especially skeptical about scholarship search companies and sites that make any of these claims:

“You’ve been selected by a national foundation to receive a scholarship.”

Check with your guidance counselor or visit The Foundation Center website, www.fdncenter.org, to find out if the foundation is legitimate. Check with your guidance counselor if you’re notified that you’re a finalist in a scholarship contest you didn’t enter.

“We’ll do all the work.”

The company may send you a long list of scholarships, but you’ll have to fill out all the applications.

“I just need your credit card or bank account number to hold this scholarship.”

NEVER give these numbers to a person or company you’re not sure about. Someone with your credit card number can charge something to your card, and someone with your bank account number can make withdrawals — without your knowledge.

“This scholarship will cost some money.”

Some legitimate scholarships do have up-front fees, but they shouldn’t be more than \$5 to \$10.

“The scholarship is guaranteed or your money back.”

Read the fine print. To get a refund, you may have to receive a letter of rejection from **every** source on their list. That may be impossible to do if a scholarship on the list is no longer offered. Some unscrupulous companies even give you sources that don’t exist. The fine print may state that **all** types of student financial aid are included, so if you get a loan and no scholarships, you still can’t get your money back.

“You can’t get this information anywhere else.”

Nearly all the information can be found by working with your guidance counselor and college financial aid officer, visiting your high school or public library or doing a free online scholarship search.

FACING THE FAFSA

The FAFSA is the Free Application for Federal Student Aid, and it's the form you must fill out before you can qualify for federal or state student aid. Not only must it be filled out, it must be filled out correctly. The financial information provided on the form will automatically be sent to the school(s) listed on the FAFSA.

The best way to file the FAFSA is online at www.fafsa.ed.gov. Here you can complete the application and send your data over the Internet. A brochure titled *FAFSA on the Web* is available from the U.S. Department of Education (ED) by calling (800) 4FED-AID (800-433-3243). You can also call this number if you have any questions about *FAFSA on the Web*.

Keep in mind that you're less likely to make errors filing electronically because your answers are edited automatically. Also, you will receive your report 7 to 14 days faster than you will with a paper FAFSA.

You and your parents should apply for a Personal Identification Number (PIN) as soon as possible to prepare for filing the FAFSA online. With a PIN, you don't have to mail a signature page, so your FAFSA will be processed even more quickly. To apply for a PIN, visit www.pin.ed.gov. A PIN is just one of the things you'll need to complete your FAFSA online. A complete FAFSA checklist is on the next page.

You can get up to three copies of the paper FAFSA by calling the ED. If you want to be notified when your paper FAFSA is received, fill out the postcard in the FAFSA packet and put it in the return envelope with your FAFSA. When the application is received, the FAFSA processor will stamp the card with the receipt date and location and mail it back to you.

The school's financial aid office uses the information on the FAFSA to determine whether you're eligible for need-based financial aid and, if so, for how much and what type. From this information, the school will create a financial aid package for you. Each college you list on the FAFSA will consider you for financial aid and will notify you of its decision in late spring or early summer.

Don't let the challenge of filling out the FAFSA defeat you. Here are some helpful hints that will simplify the process.

FREE APPLICATION FOR FEDERAL STUDENT AID July 1, 2008 — June 30, 2009

START HERE
GO TO www.fafsa.ed.gov
FEDERAL STUDENT AID

Use this form to apply free for federal and state student grants, work-study and loans.

Or apply free online
at www.fafsa.ed.gov.

Applying by the Deadlines

For federal aid, submit your application as early as possible, but no earlier than January 1, 2008. We must receive your application no later than June 30, 2009. Your college will have your correct, complete information by your last day of enrollment in the 2008-2009 school year.

For state or college aid, the deadline may be as early as January 2008. See the table to the right for state deadlines. You may also need to complete additional forms. Check with your high school guidance counselor or a financial aid administrator at your college about state and college sources of student aid and deadlines.

If you are filling close to one of these deadlines, we recommend you file online at www.fafsa.ed.gov. This is the fastest and easiest way to apply for aid.

Using Your Tax Return

If you are supposed to file a 2007 federal income tax return, we recommend that you complete it before filing out this form. If you have not yet filed your return, you can still submit your FAFSA, but you must provide income and tax information. Once you file your tax return, correct any income or tax information that is different from what you initially submitted on your FAFSA.

Filling Out the FAFSA

Fill the answer fields directly on your screen or print the form and complete it by hand. Your answers will be read electronically; therefore, if you complete the form by hand:

• use black ink and fill in squares completely;

• print clearly in CAPITAL letters and skip a box between words;

• report dollar amounts (such as \$12,356.41) like this:

Correct ☐ Incorrect ☒

IS ELM ST
\$ 12356 no cents

Orange is for student information and purple is for parent information.

If you or your family has unusual circumstances (such as loss of employment, complete this form to the extent you can, then submit it as instructed and consult with the financial aid office at the college you plan to attend.

For more information or help in filling out the FAFSA, call a 1-800-4-FED-AID (1-800-433-3243). TTY users for the hearing-impaired may call a 1-800-730-8913. Or visit our Web site at www.FederalStudentAid.gov.

Mailing Your FAFSA

After you complete this application, mail only pages 7 through 10 to: Federal Student Aid Programs, P.O. Box 4692, Mt. Vernon, IL 62684-4692. Do not send the worksheets on page 5. Print or make a copy of the entire completed form for your records.

If you do not receive the results of your application — a Student Aid Report (SAR) — within three weeks, please check online at www.fafsa.ed.gov or call 1-800-433-3243. If you provided your e-mail address in question 13, you will receive information about your application within a few days after we process it.

Let's Get Started!

Now go to page 7 of the application form and begin filling it out. Refer to the notes as instructed.

STATE AID DEADLINES

www.fafsa.ed.gov

Check with your financial aid administrator

for these states and territories:
AL, AS, CO, FM, GA, GU, HI, MA, MD, ME, NM,
NV, OR, PR, PW, SD, TX,
UT, VA, VI, VT, WA, WI, and WY.

AK	April 15, 2008 (date received)
AI	Academic Challenge - June 30, 2008 Workforce Grant - Contact your financial aid administrator. Higher Education Opportunity Grant - June 1, 2008 (fall term) November 1, 2008 (spring term) (date received)
AZ	June 30, 2008 (date received) Initial awards - March 2, 2008 Additional community college awards - September 2, 2008 (date received)
CA	February 15, 2008 (date received)
*CT	June 30, 2008 (date received by state)
DE	April 15, 2008 (date received)
FL	May 15, 2008 (date processed)
*IA	July 1, 2008 (date received)
*IL	March 1, 2008 (date received)
*IL	First-time applicants - September 30, 2008 Continuing applicants - August 15, 2008 (date received)
IN	March 10, 2008 (date received)
*KS	April 1, 2008 (date received)
*KY	March 15, 2008 (date received)
*LA	July 1, 2008 (date received)
*MA	May 1, 2008 (date received)
MD	March 1, 2008 (date received)
ME	May 1, 2008 (date received)
MI	March 1, 2008 (date received)
MN	30 days after term starts (date received)
*MS	April 1, 2008 (date received)
*MS	MTAG and MESSG Grants - September 15, 2008 HELP Scholarship - March 31, 2008 (date processed)
*MT	March 1, 2008 (date received)
NC	March 15, 2008 (date received)
ND	March 15, 2008 (date received)
NH	May 1, 2008 (date received)
*NJ	June 1, 2008, (if you received a Tuition Aid Grant in 2007-2008) All other applicants October 1, 2008, fall & spring terms March 1, 2009, spring term only (date received)
*NY	May 1, 2009 (date received)
OH	April 1, 2008 (date received)
*OK	April 1, 2008 (date received) for best consideration
*PA	All 2007-2008 State Grant recipients & all new 2007-2008 State Grant recipients in degree programs - May 1, 2008 All other applicants - August 1, 2008 (date received)
*RI	March 1, 2008 (date received)
SC	Tuition Grants - March 30, 2008 (date received) State Grant - March 1, 2008
*TN	State Lottery - September 1, 2008 (date received)
*WV	March 1, 2008 (date received)

For priority consideration, submit application by date specified.
* Applicants encouraged to obtain proof of mailing.
* Additional form may be required for some states.

STATE AID DEADLINES



It is important that you fill out the FAFSA correctly in order to get all the money you qualify for. Use the following steps to help with this procedure.

- 1:** Decide if you will complete the FAFSA online or on paper.
- 2:** Gather documents you will need to refer to in completing the FAFSA. These include:
 - Your Social Security card and driver's license.
 - Your W-2 forms and federal income tax return.
 - Your parents' W-2 forms and federal income tax return if you are dependent.
 - Records of other untaxed income received such as veteran's benefits.
 - Current bank statements and records of stocks, bonds or other investments.
 - Business or farm records if applicable.
 - Your alien registration card if you are not a U.S. citizen.
 - A PIN from www.pin.ed.gov if you are applying online.

Don't forget to:

- Read and follow the instructions carefully.
- Submit the FAFSA **as soon as possible after January 1 of your senior year** (when your family has its federal income tax preparation data) to make sure you have the best chance of receiving aid for which you're eligible.
- Keep copies of your FAFSA and a record of the date you submitted or mailed it.
- If you need to make corrections, follow the instructions on the Student Aid Report you receive in the mail and return it immediately for reprocessing.
- Read financial aid award letters carefully and comply with requests from schools for clarification or additional information as soon as possible. Submit corrections or additional information to the ED Central Processor, so KHEAA–Alabama and the administrators of other federal and school-based programs will have the updated information too.

Other financial aid applications

- ☐ Check with the financial aid office of the school you plan to attend to find out if you should file any other applications.
- ☐ Read and follow directions. Filling out an application properly and neatly is important. You may be disqualified for failing to complete all questions, answering them incorrectly or missing the deadline.
- ☐ Pay attention to mailing addresses and filing deadlines. Like the FAFSA, other application forms should be filed as early as possible.
- ☐ Keep copies of everything you mail and a record of the dates you sent them. You might want to send your materials by registered mail, return receipt requested.
- ☐ Talk with your counselor about scholarships available in your community. If you think you may be eligible, apply for them.
- ☐ Check the school's catalog or website for descriptions of any additional scholarships or financial aid for which you may be eligible to apply. Website addresses can be found in **Chapter 3**.
- ☐ Apply, apply, apply. By applying for several types of aid, you increase your chances of receiving enough to pay your school costs.

FINANCIAL AID

KHEAA—Alabama has gathered information about the major state and federal student aid programs available to Alabamians. They're listed by category — grants, scholarships, etc. The required application for many of these programs is the FAFSA, which is available at www.fafsa.ed.gov or by calling the ED.

Due to the ever-changing climate of student aid, programs may be discontinued or changed. For the most up-to-date information, check with your high school counselor or a financial aid officer at the school you plan to attend. For more information about KHEAA—Alabama programs, call (800) 721-9720 or visit www.alstudentaid.com.

Grants

Academic Competitiveness Grant

Eligibility: First- or second-year undergraduate who holds no bachelor's or higher degree, has financial need and is a U.S. citizen enrolled full-time in an eligible school. Second-year students must have a 3.0 GPA during their first year in college.

Awards: First-year student: Up to \$750
Second-year student: Up to \$1,300

Application: FAFSA.

Alabama Student Assistance Program Grant

Eligibility: Financially needy Alabama undergraduate resident attending an eligible school at least half-time.

Awards: \$300–\$5,000 each academic year.

Application: FAFSA.

Alabama Student Grant

Eligibility: Alabama undergraduate resident enrolled at least half-time and attending an eligible independent Alabama college or university, which includes Amridge University, Birmingham-Southern College, Concordia College, Faulkner University,

Huntingdon College, Judson College, Miles College, Oakwood College, Samford University, Southeastern Bible College, Spring Hill College, Stillman College, the U.S. Sports Academy and the University of Mobile. Eligibility is not based on financial need.

Awards: Up to \$1,200 each academic year depending on program funding.

Application: Contact the financial aid office of the school you plan to attend.

Federal Pell Grant

Eligibility: Undergraduate who holds no bachelor's or higher degree, has financial need and is a U.S. citizen or eligible noncitizen enrolled in an eligible school. Students enrolled in a postbaccalaureate teacher certificate or licensing program may also be eligible.

Awards: Amount set by the federal government each year depending on program funding and financial need. For 2008–2009, the maximum award is \$4,731.

Application: FAFSA.

Federal Supplemental Educational Opportunity Grant

Eligibility: Undergraduate who holds no bachelor's or higher degree, has exceptional financial need and is a U.S. citizen or eligible noncitizen enrolled in an eligible school.

Awards: Up to \$4,000 per year.

Application: FAFSA. Deadline set by the school.

National Science and Mathematics Access to Retain Talent (SMART) Grant

Eligibility: Third- or fourth-year undergraduate who has financial need and is majoring full-time in physical, life or computer science, engineering, mathematics, technology or a critical foreign language at an eligible four-year school. Must have at least a 3.0 GPA in major to qualify.

Awards: Up to \$4,000 per year.

Application: FAFSA

Scholarships

American Legion Auxiliary Scholarship

- Eligibility:** Alabama resident who is the son, daughter, grandson or granddaughter of a veteran of World War I, World War II, Korea, Vietnam, Beirut, Grenada, Panama, Persian Gulf or Iraqi Freedom.
- Awards:** To be applied toward tuition, fees, and room and board at a public four-year, state-supported college in Alabama. Awards are restricted to students who attend schools having on-campus housing.
- Application:** Write to the American Legion Auxiliary, 120 North Jackson Street, Montgomery, AL 36104 or call (334) 262-1176. Send a self-addressed, stamped envelope. Application deadline is April 1.

American Legion Scholarship

- Eligibility:** Alabama resident who is the son, daughter, grandson or granddaughter of a war veteran. Scholarship based on GPA.
- Awards:** \$850, renewable yearly. Awards are restricted to students who attend participating schools.
- Application:** Visit www.americanlegionalabama.org or send a self-addressed, stamped envelope to the Department Adjutant, The American Legion, P.O. Box 1069, Montgomery, AL 36102. Application deadline is May 1.

Robert C. Byrd Honors Scholarship

- Eligibility:** Alabama resident and U.S. citizen, national or lawful permanent resident who is currently a high school senior or a recent GED recipient. Student must be enrolled in or have applied to an eligible school.
- Awards:** \$1,500 each year for up to four years of undergraduate work.
- Application:** Contact your guidance counselor or adult education provider for an application and deadline information.

Junior and Community College Athletic Scholarship

- Eligibility:** Full-time student enrolled in an Alabama public junior or community college. Awards may be renewed on the basis of continued participation. Renewed awards are based on demonstrated athletic ability determined through tryouts. Limits on various sports apply. Awards are not based on financial need.
- Awards:** Tuition and books.

- Application:** Contact the coach, athletic director or financial aid officer at the school you plan to attend.

Junior and Community College Performing Arts Scholarship

- Eligibility:** Full-time student attending an Alabama public junior or community college. Awards are based on demonstrated talent determined through competitive auditions. Awards are not based on financial need.
- Awards:** In-state tuition.
- Application:** Contact the financial aid office of the school you plan to attend. Competitive auditions will be scheduled as part of the application process.

Two-Year College Academic Scholarship

- Eligibility:** Student accepted for enrollment at an Alabama public two-year college. Renewable awards are based on demonstrated academic merit as determined by the school's scholarship committee. Awards are not based on financial need, and priority is given to in-state residents.
- Awards:** In-state tuition and books.
- Application:** Contact the financial aid office of the school you plan to attend.



Conversion Scholarships/Loans

Federal TEACH Grant

Eligibility: Undergraduate, postbaccalaureate or graduate student in a teacher education program. Must have at least a 3.25 GPA and above the 75th percentile on an undergraduate or graduate admissions test. A graduate student must be a teacher or a retiree from another occupation with expertise in a field with a shortage of teachers or complete a high-quality alternative certification. Recipient must teach full-time for four years in a high-need field in an elementary or secondary school that serves low-income students. Teaching service must be completed within eight years of completing the teacher education program. If a recipient does not fulfill the teaching requirement, the grant converts to an unsubsidized Stafford Loan.

Award: Undergraduate/postbaccalaureate, up to \$16,000 (\$4,000 a year); graduate, up to \$8,000

Application: FAFSA and a service agreement.

You can pay the interest on an unsubsidized loan while you are in school or have it added to the principal.

The current loan limits are:

Grade Level	Dependent Status	Independent Status
First Year	\$3,500	\$ 9,500
Second Year	\$4,500	\$10,500
Each Remaining Year of Undergraduate Study	\$5,500	\$12,500
Each Year of Graduate/ Professional Study		20,500

Application: FAFSA and the Federal Stafford Loan Master Promissory Note (MPN). The MPN can be submitted and signed electronically through KHEAA–Alabama’s eSign process. A paper MPN can be obtained from a lender or financial aid office. Contact the school to see if it prefers an electronic or paper MPN.



Federal PLUS Loan (FFELP)

Eligibility: A parent or stepparent of a dependent student enrolled or accepted for enrollment at least half-time in an eligible program at an eligible school. Graduate and professional-level students may also borrow PLUS Loans.

Awards: The maximum loan amount equals the cost of education minus other financial aid received. The interest rate is 8.5 percent.

Application: FAFSA and PLUS Loan application. For a PLUS Loan application, contact a participating lender or the financial aid office at the school you plan to attend; write to KHEAA–Alabama, 100 North Union Street, Suite 308, Montgomery, AL 36104-3762; or call toll free (800) 928-8926.

Loans

Federal Perkins Loan

Eligibility: Student who has exceptional financial need and is a U.S. citizen or eligible noncitizen enrolled at an eligible school pursuing a degree or certificate.

Awards: \$4,000 annual maximum for undergraduate students, \$6,000 for graduate students. The maximum cumulative undergraduate amount is \$20,000 (\$8,000 for students who are not yet juniors). Graduate students can get up to another \$20,000 for a maximum of \$40,000.

Application: FAFSA. Deadline set by the school.



Federal Stafford Loans (FFELP)

Eligibility: A U.S. citizen or eligible noncitizen enrolled or accepted for enrollment at least half-time in an eligible certificate or degree program at an eligible school. You must show financial need for a subsidized loan but not for an unsubsidized loan.

Awards: Cannot exceed the cost of attendance minus your estimated financial aid and, if the loan is subsidized, your EFC. Cannot exceed the limits for an academic year based on your dependency status and grade level. The interest rate is 6 percent on subsidized, 6.8 percent on unsubsidized. The government pays the interest on a subsidized loan until you begin repayment.





Some schools participate in the Federal Direct Student Loan Program instead of the Federal Family Education Loan Program administered by KHEAA–Alabama. If your school is a Direct Loan school, contact the financial aid office for information about how to apply.

Nursing Student Loan

- Eligibility:** U.S. citizen, permanent resident or eligible non-citizen with need and enrolled at least half-time in a nursing program at a participating school.
- Awards:** Varies by school. Based on need, year in college and funding. The interest rate is 5 percent.
- Application:** Financial aid office. Deadline set by school. For more information, visit <http://bhpr.hrsa.gov/dsa>.

Primary Care Loan

- Eligibility:** U.S. citizen, permanent resident or eligible non-citizen who is enrolled in a college of allopathic or osteopathic medicine, has financial need and agrees to enter and complete residency training in primary care within four years after graduation (including 3-year residency program) and practice in primary care until the loan is repaid.
- Awards:** Varies by school. Based on need and funding. The maximum award cannot exceed the cost of attendance for first- and second-year students. Depending on funding, third- and fourth-year students may receive larger awards. The interest rate is 5 percent — but if the student fails to enter and complete a residency in primary health care, the interest rate will become 18 percent at the date of noncompliance.
- Application:** Financial aid office. Deadline set by school. For more information, visit <http://bhpr.hrsa.gov/dsa>.

Work-Study

Federal Work-Study

- Eligibility:** Student who has financial need and is a U.S. citizen or eligible noncitizen enrolled in an eligible school pursuing a degree or certificate.
- Awards:** Student must be paid at least the current federal minimum wage. Maximum earnings cannot exceed total cost of education minus other financial aid received.
- Application:** FAFSA. Deadline set by school.

Waivers

Alabama Scholarship for Dependents of Blind Parents/Textbooks Benefits for Dependents of Blind Parents

- Eligibility:** Alabama resident for at least five years prior to application from families where the head of the household is blind and the family income is not greater than 1.3 times the current poverty income level, as determined by federal poverty guidelines based upon the number of family members. Training at any Alabama state institution of higher learning, college or university or enrollment in prescribed courses at any Alabama state trade school or technical college must be initiated within two years after high school graduation, but in no case after the twenty-third birthday of the child.
- Awards:** College or university waives all instructional fees and tuition and recipients are provided a portion of textbooks. The amount is contingent upon the number of participants in the program.
- Application:** Write to Debra Culver, Alabama State Department of Rehabilitation Services, Blind and Deaf Services, 7 Bemiston Avenue, Talladega, AL 35160; call (334) 613-2248 (Montgomery) or (256) 362-0638 (Talladega); or e-mail debbie.culver@rehab.alabama.gov

Police Officer's and Firefighter's Survivor's Educational Assistance Program

- Eligibility:** Dependent or spouse of a police officer or firefighter killed or permanently and totally disabled in the line of duty in Alabama. Must be enrolled as an undergraduate at an Alabama public college. Other criteria may apply.
- Awards:** Tuition, fees, books and supplies.
- Application:** Write to the Alabama Commission on Higher Education, P.O. Box 302000, Montgomery, AL 36130-2000 or call (334) 242-2273.



Military Benefits

Most branches of the military offer tuition assistance that lets active-duty members take courses during off-duty hours. In addition, military training while on active duty can sometimes count toward college credit. After they finish active duty, veterans can take advantage of the Montgomery GI Bill to attend college. Recruiting offices can provide information about educational opportunities through the military.

Alabama GI Dependent's Educational Benefit Program

- Eligibility:** Undergraduate or graduate student who is the child or spouse of an eligible Alabama veteran and who attends a public college in Alabama. Student must begin college before his or her 26th birthday.
- Awards:** Tuition, instructional fees and book assistance.
- Application:** Write to the Alabama State Department of Veterans Affairs, P.O. Box 1509, Montgomery, AL 36102-1509; call (334) 242-5077; or contact any county veterans service officer.

Alabama National Guard Educational Assistance Program

- Eligibility:** Active member in good standing with a federally recognized unit of the Alabama National Guard who is not receiving 100 percent of covered expenses from federal veterans' educational benefits available to members of the National Guard during the term payments are received. Eligibility is based on need.
- Awards:** Tuition, educational fees, books, and supplies to attend an Alabama college. Awards are limited to \$500 each term and no more than \$1,000 each year.
- Application:** Contact any unit of the Alabama National Guard. Forms must be signed by a representative of the Alabama Military Department and a financial aid officer at the school the student plans to attend.

Reserve Officers Training Corps (ROTC) Scholarships

Air Force ROTC

- Eligibility:** High school senior or graduate. Students pursuing technical degrees are targeted. Based on individual merit, not financial need. Four-year scholarships may be lengthened to five years in certain academic majors and programs. The Air Force also offers scholarships to students already in college. These scholarships cover one to three years of a bachelor's degree program in certain engineering and science majors as well as in other categories such as premedicine.
- Awards:** Varies
- Application:** Contact the Department of Aerospace Studies at the school you plan to attend. For further information, call toll free 866.4AFROTC, extension 2091; write to HQ AFROTC/DOR, 551 East Maxwell Boulevard, Maxwell AFB, AL 36112-6106; or visit www.afrotc.com.

Army ROTC

- Eligibility:** Entering freshman who has a minimum 920 SAT or 19 ACT composite score; has minimum high school GPA of 2.5; participates in leadership, extracurricular and athletic activities.
- Award:** Full tuition and on-campus education fees; an additional \$1,200 yearly allowance for textbooks, supplies and equipment and up to \$5,000 per year in spending money.
- Application:** Contact the Military Science Department of your school; call toll free 1800.750.ROTC (7682); or visit www.goarmy.com/rotc.

Naval ROTC

Four-Year Scholarship

- Eligibility:** Must be U.S. citizen at least 17 years of age by September 1 of the year starting college and less than 23 on June 30 of that year. Applicants with previous active duty service may be eligible for age waivers. The minimum SAT scores for the Navy option are 520 math and 530 critical reading. The minimum ACT scores are 22 math and 22 English. The minimum SAT scores for Marine option is a composite score of 1000. The minimum ACT scores for Marine option is a composite score of 22. Must meet physical requirements.

Awards: Tuition, fees, book allowance, uniforms and a \$250 monthly allowance with increasing amounts yearly.

Application: Contact your local Navy Recruiter; call (800) USA-NAVY or (800) NAV-ROTC; e-mail PNSC_NROTC.scholarship@navy.mil; or visit <https://www.nrotc.navy.mil>. Deadline is January 31.

Two-Year Scholarship

Eligibility: Must be a U.S. citizen at least 17 years of age and under 27 years of age on June 30 of the year an applicant expects to graduate and complete NROTC training requirements. Applicants with prior active duty service may be eligible for a waiver. Must be a college sophomore with a minimum GPA of 2.5. One year (two semesters or three quarters) of differential and integral calculus of one real variable with grades of C or better is required (pre-calculus does not meet this requirement). Must meet physical requirements for the NROTC Program (physical required).

Awards: Tuition, fees, book allowance, uniforms and \$350 monthly allowance in the junior year, increasing to \$400 in the senior year.

Application: Contact nearest NROTC unit or call toll free (800) NAV-ROTC, ext. 2-9380, 2-9381 or 2-9563. Deadline is March 15 of the sophomore year of college.

National Service

AmeriCorps

Eligibility: U.S. citizen or permanent resident alien age 17 or older who performs national community service before, during or after college.

Awards: Up to \$4,725 for each year of service (maximum of two awards) to pay current or future education expenses or repay federal student loans. Award is nontransferable and must be used within seven years.

Application: Contact the Corporation for National and Community Service, 1201 New York Avenue, NW, Washington, DC 20525; call toll free (800) 942-2677; or apply online at www.americorps.org.

Qualified State Tuition Programs

Alabama Higher Education 529 Fund

Description: Helps families save for their children's college education. Three investment options are offered with a minimum investment of \$250 or \$25 per month. Qualified withdrawals are exempt from state and federal taxes. Account savings can be used at any qualified college in the nation to pay for tuition, fees, books, supplies and certain room and board costs.

Information: Write to the State Treasurer's Office, College Savings Programs, 600 Dexter Avenue, Suite S-106, Montgomery, AL 36104; call (334) 242-7514 or toll free (866) 529-2228; or visit www.treasury.alabama.gov.

Alabama Prepaid Affordable College Tuition (PACT) Program

Description: A state-sponsored program that sells contracts to prepay one year or four years of future college tuition. At the time of purchase, the child must be in the ninth grade or younger. The cost is based on the age or grade level of the child. Lump sum or monthly payment plans may be selected. PACT does not have a scholarship program.

Information: Write to the State Treasurer's Office, College Savings Programs, 600 Dexter Avenue, Suite S-106, Montgomery, AL 36104; call (334) 242-7514 or toll free (800) 252-7228; or visit www.treasury.alabama.gov.



LOAN LINGO

I have some questions about student loans. What do all the technical words mean and how do they apply to me?

Most students will need a student loan, so it's wise to know what all the terms mean and how they apply to you. Some students find, after figuring in grants, scholarships, work-study and federal loans, that they need more help paying for college. Many will turn to private loans, also called alternative loans, for that extra money. Terms that are used in a definition but are also defined in this section are in **blue**. Some terms apply only to federal student loans, some to both federal and private loans.

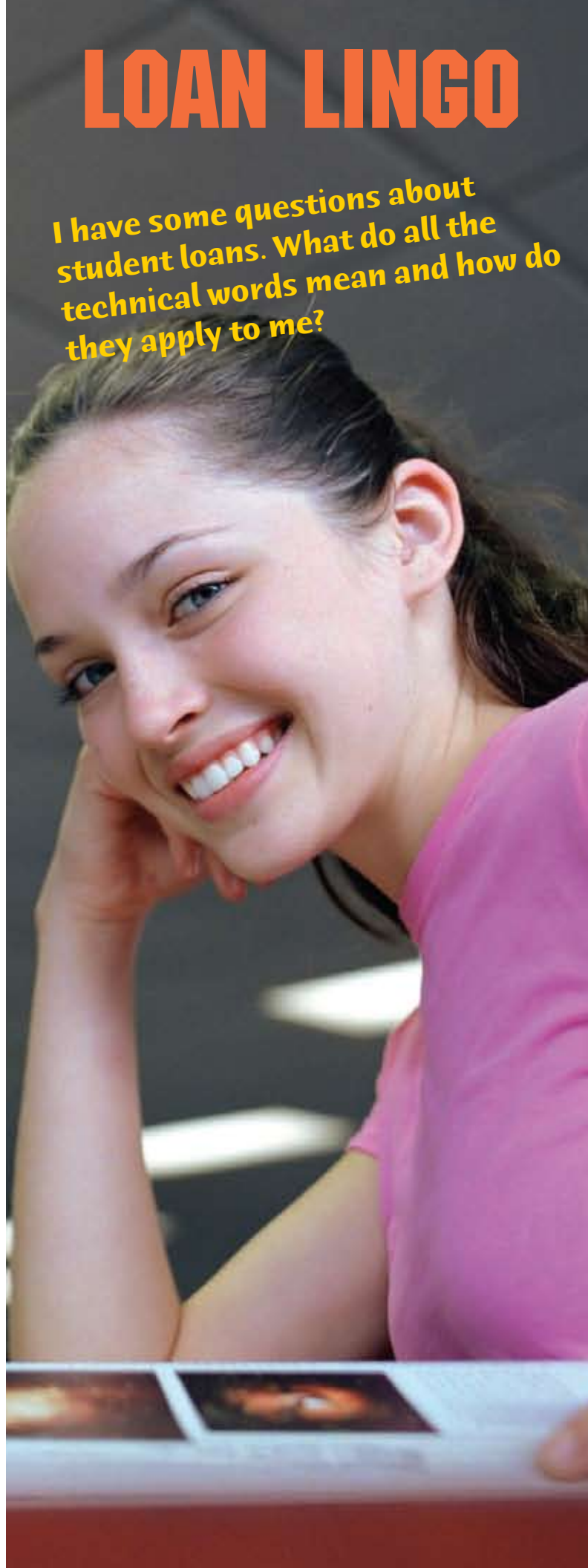
More information about student loans can be found on the following pages. If you can't find out what you need to know here, don't be afraid to ask questions. You can get answers from your counselor, KHEAA-Alabama or the financial aid office of the college you're interested in attending.

- ❑ **Borrower benefits** — These are like price breaks when you buy something or rebates you get after you buy it. A **lender** can charge an **origination fee**, while a **guarantor** must charge a **federal default fee**. Not all lenders and guarantors charge the same fees, and some don't charge any fees or will pay fees for you. These fees are deducted before you see the money, so the lower the fees, the more money you get to pay for college. Reduced fees are called up-front benefits.

You can also get breaks when you start repaying your loan. Many lenders will charge you a lower **interest** rate if you follow certain criteria, such as making all your payments electronically. These are called back-end benefits.

- ❑ **Federal default fee** — The **guarantor** of a federal student loan must charge you a 1 percent federal default fee.
- ❑ **Guarantor** — The guarantor, such as KHEAA-Alabama, has a contract with the **lender** to pay off federal student loans under special circumstances.
- ❑ **Interest** — This is the money you pay the **lender** for letting you use its money to pay your school costs.
- ❑ **Lender** — The lender is whoever loans you the money. It can be a bank, a nonprofit state corporation, a credit union or some other financial institution.
- ❑ **Origination fee** — This helps cover the costs the **lender** has to pay for doing business with you. Fees on federal student loans are 1 percent for Stafford Loans and 3 percent for PLUS Loans. Fees on private loans are based on credit ratings.
- ❑ **Principal** — This is the amount you borrow *before* any fees are deducted. The interest you're charged will be based on the principal.

Remember that Congress can change the fees on federal student loans at any time.



STUDENT LOAN TIPS



A student loan has to be repaid, even if you don't graduate or if you dislike the school or major you've started. You're taking on a commitment that will help improve your future but that also requires you to be responsible. By making your payments on time, you're establishing yourself as a good credit risk. This will help you later in life when you need to borrow money for another purpose, whether it's buying a car, furniture or a home. Here are some tips that will help you to borrow wisely.

Tip 1: Contact the school you plan to attend

Find out what other financial aid you qualify for before applying for a student loan. Grants, scholarships and work-study usually don't have to be repaid.

Ask the financial aid officer how much the total cost of attending school, including the estimated living expenses, is going to be.

Know what the school's refund policy is. Ask the financial aid officer or check the student handbook or class schedule.

Tip 2: Check out the job you're interested in

Find out the job opportunities in that field to make sure you'll be able to earn enough to pay back what you borrow as well as meet any other expenses you will encounter when you're in the working world. Defaulting on a student loan isn't an option, even if you can't find a job in the field you've trained for or if you don't make as much money as you thought you would. Research before committing yourself to a job where you won't earn enough money.

Check with the school about entrance counseling. The school you'll be attending is required to provide this before you receive your first Federal Stafford Loan.



Tip 3: Find out about student loans before borrowing

Borrow only what you need. Remember, you have to repay your loan. The chart below shows the approximate monthly payment on a Federal Stafford Loan at a 6.8 percent interest rate. The federal government requires a Master Promissory Note (MPN) for all Stafford Loans. For more information, visit www.alstudentaid.com/borr_in_stafford.html.

For new borrowers who have no outstanding loans, the interest rate can't be more than 8.25 percent. Note that the chart shows the approximate monthly payment for *each* Federal Stafford Loan. If you have \$5,000 loans each from two different lenders, your monthly payment would be \$116 (\$58 to each lender). For a quick estimate of how much you will pay based on how much you have borrowed, the interest rate, and the repayment period, use the Loan Repayment Calculator under the *Borrowers* link at www.alstudentaid.com.

Consider getting all of your loans through one lender so you don't have to make payments to two or more lenders at the same time.

Use student loans only for educational purposes. Giving false information, forging information or using loans for any purpose other than legitimate school expenses is a crime.

Amount Borrowed	Federal Stafford Loan Repayment	
	Estimated Monthly Payment	
	6.0%	6.8%
\$ 5,000	\$56	\$58
\$10,000	\$111	\$115
\$15,000	\$167	\$173
\$20,000	\$222	\$230
\$25,000	\$278	\$288
\$30,000	\$333	\$345
\$35,000	\$389	\$403
\$40,000	\$444	\$460

Generally, you have up to 10 years to repay your student loans. The minimum monthly payment is \$50. Your repayment duration and amount will be based on your loan balance. An extended repayment plan may be available if you owe more than \$30,000 in student loans. Under the extended repayment plan, you can take up to 25 years to pay, depending on how much you owe.

Tip 4: What happens after the first year?

Most financial aid programs have renewal requirements and some limitations such as:

- Advancing to the next grade level.
- Requiring students to reapply each year.
- Limiting the total number of years aid can be received.

BEFORE YOU TRANSFER TO ANOTHER SCHOOL, BE SURE TO CHECK ON THE STATUS OF YOUR FINANCIAL AID.

Tip 5: Now the fun part — repayment!

When you start making payments, think about paying a little extra — a few more dollars paid each month reduces the total interest you will pay over the life of the loan. If you pay an extra \$10 each month, the extra money is applied to the principal.

If you have any trouble making your payments, contact your lender immediately. You may be able to postpone or reduce your payments temporarily. Before you enter repayment, you will go through exit counseling.

If you have student loans from more than one lender, check into consolidating your student loans so you only have to pay one lender each month.

PRIVATE LOANS



Are they worth it?

One fact of modern college financing is that sometimes the combination of grants, scholarships, federal loans and family contribution isn't enough to pay for the whole cost of your education. When that happens, many students and their parents will turn to private loans.

Private loans now account for nearly a quarter of all education borrowing. You've seen the commercials on TV, mostly on networks high school and college students watch.

If you absolutely have to borrow money to pay for school, you shouldn't consider getting a private loan until after you've gotten every dollar you can in federal student loans.

The interest you pay on private loans is based on your credit score. Instead of the 6% you pay on a subsidized Stafford Loan, you might end up paying 19% or more for a private loan. Recent research reported in The New York Times showed that fewer than 10% of college students got the low rates. More than 75% had to pay the worst rates. In addition, many companies offering private loans won't lend to students unless they attend certain schools.

If you do have to take out a private loan, make sure you're dealing with a reputable lender. Perhaps the best place to start is your own bank.

COMPARING COSTS

To start comparing, look at each school's award letter. An award letter will usually show the total cost of attendance — what it costs to go to that school for one year, **including tuition, fees, room, meals, books, supplies, transportation and personal expenses**. It doesn't include summer school.

It may also show how much your family is expected to pay toward those costs, the expected family contribution (EFC). **The EFC is subtracted from the total cost of attendance to get your financial need.**

The letter will then list various sources of financial aid offered to pay for the costs not covered by the EFC. You can accept or reject any or all of those proposed sources.

Let's look at sample awards from two four-year colleges. These are purely fictional.

Things to consider:

Even though it seems like your senior year has just started, it won't be too long before you'll be applying for college. What happens if you get accepted to every school you've applied to? How do you know which school is offering you the best financial aid package? What if the school you want to attend costs more than another one? Is there a possibility that after applying all your awards, you might be able to attend the school of your dreams instead of settling for another one? There's only one way to find out — **compare**.

Financial Need	School A	School B	Awards	School A	School B
Total Cost	\$12,500	\$17,500	School Grant	\$ 0	\$ 2,000
EFC	5,000	5,000	Federal Pell Grant	1,250	0
Local Scholarship	500	500	State Grant	0	1,250
Financial Need	7,000	12,000	Federal Perkins Loan	1,500	3,625
			Federal Stafford Loan	2,125	2,625
			Work-Study	2,125	2,500
			Total Award	7,000	12,000
			Unmet Need	0	0

- How much of this will have to be paid back?
- What is your total debt load after four years of school?
- Can you really afford the EFC?

School A's package

Includes **\$3,625** in student loans. That's 51.8% of the total package. Over four years, that adds up to \$14,500 in loans you'll be responsible for paying back.

School B's package

Includes **\$6,250** in student loans, which is 52.1% of the total package, not much different from School A's percentage. But over four years, that adds up to \$25,000 you'll have to repay.

\$Save some green\$

Textbooks

Buy used books whenever possible. You may be able to save by buying textbooks online.

Supplies

Notebooks and pens at discount stores may cost less.

Room and board

If you're going to a school near by, commute from home. Eating mom's cooking will help save on your food expenses too. If you don't want to live at home or in a dorm, try sharing an apartment with friends. However, some colleges require freshmen to live on campus, so check your school's policies.

To find out the costs for the school you're interested in attending, see the school pages in Chapter 3.



EFC = ESTIMATED FAMILY CONTRIBUTION

EFC

According to the sample awards, you and your parents would be expected to come up with **\$5,000** (the EFC) a year, which with four years of college is a total of **\$20,000**. If you have that money, either from your parents' income or savings, that's great. If neither you nor your parents have that kind of money, then you'll have to get it from somewhere, most likely through a loan. You have various loan sources available. There's the Federal Stafford Loan for students, the Federal PLUS Loan that your parents can apply for, and there are also private loans.

Another item on the sample award letters is the work-study award. This is a great program; however, keep in mind that most work-study is paid at the federal minimum wage, so those awards represent a considerable investment in time for a full-time college student. You'll need to study two to three hours for each hour of class, so being a full-time student will take up as much time as a full-time job. Will you be able to juggle a part-time job as well as a full-time study schedule? Many do, but remember that your first priority should be your schoolwork.

Maybe you've applied for other scholarships but won't know if you've won one until after receiving the award letter. You should see how each school handles additional scholarship funds. Some will decrease the school grant by that much, while others will decrease both suggested loans and grants. That can make a big difference in how much you will have to pay back.

Let's take one more look at the awards on the previous page. Let's suppose that School B didn't give you a school grant. In that case, the unmet need would be \$2,000. That's called a gap — the difference between the aid the school is offering and how much financial need a student has. Again, that's money your family would have to come up with if you choose School B.

Maybe the school of your dreams is a possibility, but then again maybe not. So, don't just sign an award letter without comparing it with all your other options. One of the tools you can use to find out which school is making you the best offer is the chart in the back of the book. Use it to compare financial aid packages.

THE REAL COST

Let's look at what you need to know about the **REAL** costs of the schools you're applying to. There is more than just tuition when it comes to paying for college.

First of all, find out what financial aid forms you have to fill out and what the deadlines are. You can pretty much assume you'll have to fill out the FAFSA, but some schools also have a form to fill out if you want to apply for school-administered aid programs. You should ask the financial aid office about any special aid programs it has in addition to state and federal programs.

Secondly, find out how much it will cost to attend each school for a year. For comparison purposes, you should ask the financial aid office to break the costs down by:

- ☐ Tuition.
- ☐ Fees.
- ☐ Room.
- ☐ Board.
- ☐ Books and supplies.
- ☐ Transportation.
- ☐ Personal expenses.

In **Chapter 3** you'll find costs for Alabama colleges. Look at those costs closely. You should ask the financial aid office how local scholarships and work-study will affect your financial aid. You should also ask if financial need will affect the school's decision about admitting you.

Other things to check on include:

- ☐ Whether your award will be reconsidered if your family's financial situation changes.
- ☐ Whether you can expect roughly the same financial aid package each year or if the package includes one-time-only awards.
- ☐ How much of your package includes student loans and parent loans.
- ☐ What the school expects the average student loan debt of someone in your class will be.

Finally, you should ask the financial aid office for a list of everything it needs from you if you accept the package: tax returns, acceptance letter, promissory note, applications, etc.

Financial aid packages may be negotiable. State and federal programs generally have limits on how much you can receive. Beyond that, though, many schools have their own funds. If you really want to go to a particular school but the financial aid package isn't quite what you want, talk with someone in the financial aid office. The school may be able to come up with more aid.



NOT SO COMMON CENTS

Everybody should to know how to manage money and make it grow. Your money may be burning a hole in your pocket to buy a new song or a special-release ring tone. Or you might be saving it for college.

Financial paths include choices like attending college or technical school, which can boost your lifetime earnings with higher salaries. But even if you never go to college or technical school, knowing what to do with your money will mean you can manage your income and expenses throughout your life.

Let's start with the basics. Knowing how and when you get your money and where you spend it is the foundation of financial planning.



Budgeting

A budget helps you track the money you make and spend. You can create a budget by estimating how much money you'll make and spend each month. It's a great way to avoid running out of money. Best of all, a budget will show you how to save for a big-ticket item you really want.

Your main goal is to have money left over at the end of the month. Take out a sheet of paper and list your short- and long-term goals, estimating how much money you can reasonably set aside per paycheck to meet them. When you break down your goals and how long it takes to meet them, you'll get a better idea of how to pay for what you really need.

Write down what you spend your money on in an average month: food, gas, rent, entertainment, etc. If you get a receipt for everything you spend money on, this makes things easy. Check your list. Is what you've written down something you must have, like food? Or is it something that makes your life more enjoyable, like eating out? Basically, is it a need or a want?

The most important category in your outflow is savings. If you can sock away a small portion of your income (between 10 and 17 percent), you can invest your money. When you get your paycheck, the first thing you should do is deposit a portion into your savings account. You'll still have money in case you need it after paying your other bills. However, savings accounts don't earn much interest, which can make your money grow. Check out investing in certificates of deposit (CDs) or savings bonds for higher returns.

Don't think you make enough to save anything? Review your spending habits to find ways to save. Do you really need everything on your "want" list?



Banking

By learning more about banks, you're taking a key step in understanding finances. Talk with your parents about their bank and why they picked it. See what features local banks offer for savings and checking accounts, paying close attention to fees they charge. Those fees can add up quickly, so choosing your bank and the type of account can make a difference.

Checking accounts let you write checks or use a debit card to withdraw money you've deposited in the bank. The bank pays the person or business named on the check and sends you a

monthly statement of deposits and withdrawals called a bank statement. As you write checks or take money out of an ATM, write down the check number, the date, to whom the check is written and how much it's for in the debit column of your check register. Write down the dates and amounts of deposits and bank fees so you can keep track of your account balance.

A debit card is an easy way to access money in your checking account without writing a check. Money is immediately withdrawn from your account when you buy something with a debit card. You still need to track purchases by recording them in your register. You can also get a prepaid debit card without having a traditional checking account, but you will be charged a monthly or annual fee and a fee each time you use it at an ATM. If you constantly go to the ATM, those fees can rack up quickly.

Outstanding Checks (not included on your statement)	Outstanding Deposits (not included on your statement)
Amount	Amount
Total	Total
1. Ending balance from your bank statement	\$ _____
2. Add total outstanding deposits	+ _____
3. Subtract total outstanding checks	- _____
4. New balance (should equal your balance after you record interest and fees in your checkbook register)	

You should monitor your spending carefully. Know your general bank balance each time you make a transaction, because if you write a check or try to debit money that isn't there, you've bounced a check or your card will deny you the purchase.

By balancing your checkbook every month, you can keep an eye on your money and fees your bank is charging you. Most banks have a time limit on disputing errors on your account, so the sooner it's spotted, the sooner you can take care of it. Most banks also offer online access to your account so you can monitor your spending and see what checks have cleared. When your bank statement arrives, double-check your register to make sure all deposits have been recorded. Also, if you earned any interest on your deposits, record that. Then, double-check your checks and debits, including fees. Make sure those are entered into your register, adding the deposits and subtracting your checks and debits until you have your balance.

Now, get your statement. Note the checks that are not listed on your statement if you wrote checks after the bank's closing date. Add them up, then subtract them from the ending balance shown on your statement. If you've made deposits not shown on your statement, add that to your worksheet. Subtract your total outstanding checks, and the figure you reach should equal your checkbook balance.

Insurance

One fact of modern life is the need for insurance. What insurance you'll need depends on your lifestyle. You may need car, health, renter's, homeowner's or other insurance.

Car insurance: Because teens and young adults don't have as much driving experience as adults, they're a bigger risk to insure. That means you'll pay more than someone who's older. In most states, you must carry liability insurance to cover any damage you do to someone else's property or person. Collision insurance covers repairs to your car if you have an accident. Unless you owe money on your car, you probably don't have to have collision or comprehensive coverage, especially if your car is older. Not having collision insurance will save you money — unless you have an accident.

Health insurance: Ask your parents if you're covered under their policy and, if so, for how long. Generally, unmarried children under age 19 are covered and can extend to age 25 if you're a full-time student taking 12 or more hours in college. If you get married, you're automatically an adult and lose your "dependent" status. Once you graduate and get your first "real job," you may have the opportunity to buy the health plan offered by your employer.

Renter's/homeowner's insurance: For now, you might want to consider renter's insurance, which protects your stuff as if you owned a house. Especially if you have nice stuff, renter's insurance can pay you if it gets stolen or burned up in a fire. Check with your parents' insurance agent to see if you're covered by an off-premises provision when you live in a dorm. If you live off-campus, you won't be covered under the provision and should get renter's insurance. When deciding how much coverage to buy, consider replacement vs. actual cash value. Replacement means you'll get the same item new; actual cash value means you get an amount based on the items' used value. If you have really nice stuff like jewelry or a stereo, consider buying extra coverage, called a rider, on those items.

How to avoid a \$500 cell phone bill

Most high school and college students have cell phones — and sometimes a huge bill that goes with it. Your primary consideration in mobile phone service may be to compare your existing family plan with an independent one, depending on several factors.

Investigate which carrier offers the best plan for your needs and covers the area where you are going to be making the most calls. Are you a heavy texter? If so, your plan should cover them!

If you have a cell phone, use it wisely. Taxes, activation fees, overage and roaming charges can all add up — **BIG TIME!**



Get the bottom-line cost for your first bill, plus an itemized calculation of all costs, including taxes, activation fees and cost of the phone itself — and get it in writing. You don't want to be surprised with a huge bill. Avoid one with a prepaid phone that will let you see what you're spending and won't let you go over your minutes.

A cell phone contract is legally binding — and the contract will favor the company's bottom line, not yours. Read the fine print, paying close attention to the "Terms and Conditions," which outline what you are agreeing to. You can review the service agreements of many cell phone companies on the Internet. Check them out and compare before you sign!

Look at the phone upgrade fee, which is charged when you buy a new phone from your existing carrier. Retail outlets often don't tell you about this fee; you'll find out about it on your first or second month's bill. It should be mentioned in your contract, so check it out before changing your phone. Don't rely on oral promises about your contract or your bill — make sure you get any promises or agreements in writing and file them with your signed contract in case of a dispute. If you don't want to pay the phone upgrade fee, you can switch to another carrier, but you'll have to pay an early termination fee. You can always call customer service and request the fee be removed, which may or may not work.

Credit cards

So how do a textbook and a couple of pizzas end up costing you a small fortune? Glad you asked. It's because (we bet you've heard this before) there's no such thing as a free lunch (told you). Let's say you've filled out the form that a friendly credit card representative gave you during college freshman orientation. And you just found out that they have given (probably not the right word) you a \$2,000 line of credit.

After pizzas, books and all the other things that you just didn't have the cash for, you owe \$1,500. The minimum payment is just a few dollars a month, and you haven't even reached your credit limit. No problem, right? **WRONG!** If you owe \$1,500, are paying 22.8% interest and are making the minimum payment each month, you'll **NEVER** pay off the \$1,500 before you die.

Just as you shopped for a bank and a cell phone plan that works for you, you need to compare credit card offers. Some charge an annual fee, others require a deposit equal to the amount of credit you have available — not a bad idea, since you can't charge over this limit. You can get in way over your head with a credit card. College administrators say they lose more students because they have to go to work to pay credit card bills than because of failing grades.

If you have any bill you can't pay, contact the company or lender immediately to work out a payment arrangement. Whatever you do, don't ignore letters from people you owe! This just makes companies more aggressive in trying to contact you and get their money back because you look like you're hiding. It's best to explain everything in writing, so you have a record of it. Most companies will work with you if you're upfront about a temporary lack of cash. Ask if the creditor will waive penalty fees and extend your payment period after you explain you're having a temporary financial setback.

If you do find yourself in a bind, look at your finances and figure out your budget before writing your creditors so you can give them an idea of how much you can reasonably pay.

Student loans

A college education increases your earning potential and opens doors of opportunity. But keep in mind that when you take out a student loan, you're borrowing against your future earnings. Taking out a loan is a huge responsibility. The money you borrow must be paid back, even if you didn't get a job in your field or if you declare bankruptcy.

Just like shopping for a credit card, check out different lenders. Under federal law, lenders can charge up to a 1% origination fee for Stafford Loans. Some lenders don't charge this fee or





offer a discounted fee. Many lenders also offer repayment incentives that can reduce the amount you repay. You may get a reduced interest rate for auto debit or for making payments on time.

If you're going to a college that participates in the Federal Family Education Loan Program, your financial aid office may have sent you a lender list along with your student loan paperwork. Check lenders' websites to see what discounts or incentives they offer to save you money after graduation. Remember: You can choose any lender you want, even if it's not on your school's list. If you're going to a college that participates in the William D. Ford Direct Loan Program, you probably don't have this option — although some colleges participate in both programs.

Why worry?

Because you're building a credit score. If you have a history of paying your bills late, it will be reported and will affect the interest rate you pay on your credit card or car, your apartment deposit, even your car insurance! When you get a bill, pay it on time — every month.

A credit score is based on your payment history. It's used by lenders to help determine whether you qualify for a particular

credit card, loan, insurance or service. Most credit scores estimate the risk a company incurs by lending you money. Generally, the higher your score, the less risk you represent.

Some people think you have to have a credit card to build a credit score. But if you open your utility accounts in your name instead of your parents' and then apply for and get a store credit card (try to buy something and pay it off in full for a couple of months), you can build a good credit score in six months.

Any late payment stays on your credit report for seven years, even if you've completely paid off the creditor. It's better to start off on the right foot by establishing checking and savings accounts, pay all your bills on time, use your credit cards (if you HAVE to have them) sparingly and pay the bill off every month.

Did we mention to pay your bills every month? If you do, creditors will see you are a person who honors your financial commitments. They'll think you really know how to manage money, and they'll want to let you use some of theirs. And don't forget: Many employers will check your credit history before offering you a job.